

## Message Text

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ACTION STR-04

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 SSO-00 NSCE-00

USIE-00 INRE-00 AGRE-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 ITC-01

TRSE-00 PRS-01 SP-02 FEAE-00 OMB-01 XMB-02 OPIC-03

AF-08 ARA-06 EA-07 NEA-10 /135 W  
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FM USDEL MTN GENEVA

TO SECSTATE WASHDC IMMEDIATE 1887

INFO USMISSION EC BRUSSELS

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ACTION STR

PASS AGRICULTURE

H PASS CODEL

E.O. 11652: N/A

TAGS: ETRD, MTN

SUBJ: SEPTEMBER 17 LONG AND LUYTEN MEETING

REF: MTN GENEVA 7303

1. GATT DG LONG CONVENED MEETING FRIDAY, SEPTEMBER 17  
WITH DDG PATTERSON, HLOYTEN AND ME OSTENSIBLY TO GATHER  
SENSE OF WHETHER PROGRESS MIGHT BE MADE IN THE NEGOTI-  
ATIONS DURING THE FALL. FOCUS OF THE DISCUSSION WAS ON  
AGRICULTURAL ITEMS, SEE REFTEL. THIS MESSAGE DEALS WITH  
DISCUSSIONS ON BOP, TARIFFS, MFA AND BRAZILIAN FRAME-  
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WORK IMPROVEMENT PROPOSAL.

2. MEETING BEGAN WITH DISCUSSION OF THAT MORNING'S GATT COUNCIL MEETING, SPECIFICALLY THE DECISION TO HAVE A WORKING PARTY REVIEW THE ITALIAN DEPOSIT SCHEME. LUYTEN WAS OUTSPOKENLY CRITICAL OF EFFORTS BY SOME NATIONS (READ U.S.) TO FORCE REVIEW OF THESE MEASURES IN BOP COMMITTEE, NOTING THAT NO DECISION HAD BEEN TAKEN FOR SUCH REFERRAL AS A MATTER OF COURSE (A VEILED REFERENCE TO EC OBJECTIONS AT U.S. EFFORTS IN CG18 TO REACH SUCH A CONCLUSION) AND NOTING ALSO PREFERENCE OF SOME GOVERNMENTS FOR WORKING PARTY REVIEW. LUYTEN STATED THAT HAD A POLICY OF REFERRAL TO BOP COMMITTEE BEEN IN EFFECT, ITALY WOULD HAVE EVEN MORE STRONGLY OBJECTED TO REVIEW OF ITS MEASURES. HE SEEMED TO BE LAYING THE FOUNDATION FOR CONTINUED COMMUNITY OPPOSITION TO U.S. BOP INITIATIVES IN CG18.

3. TURNING TO MTN, LONG INQUIRED ABOUT SECTORS WHERE NEGOTIATING PROGRESS COULD BE MADE IN THE FALL, SKIPPING LIGHTLY OVER GOVERNMENT PROCUREMENT AND SAFEGUARDS AS POSSIBLE AREAS AND THEN TURNING TO TARIFFS. HE RECALLED THE DECEMBER TNC PLEDGE, INQUIRED WHETHER OR NOT THE U.S. AND EC FELT AGREEMENT ON TARIFF FORMULA COULD BE REACHED BEFORE YEAR END. LUYTEN BEGAN BY OBSERVING THAT THE FALL NEGOTIATING SESSION WOULD, FOR PRACTICAL PURPOSES, END IN MID-DECEMBER, THAT IT WAS NOW ALREADY MID-SEPTEMBER AND THAT SIMPLY WORKING BACK FROM THAT DATE MADE IT DOUBTFUL, TO HIS MIND, THAT AGREEMENT COULD BE REACHED ON A TARIFF FORMULA, PARTICULARLY SINCE SOME TIME WOULD HAVE TO BE TAKEN UP WITH DISCUSSION OVER EXCEPTIONS. HE FELT THERE WAS NOT ADEQUATE TIME.

4. LONG THEN WONDERED WHETHER OR NOT IT WOULD BE POSSIBLE FOR NATIONS TO AGREE TO A FORMULA AND TO SOME SET OF WORDS COMMITTING THEMSELVES TO STERN LIMITATIONS ON EXCEPTIONS AND THEN TO POSTPONE THE EXCEPTIONS PROCESS. I RESPONDED THAT, REALISTICALLY, WE NOW SEEM CONFRONTED WITH THE NEED TO MAKE VIRTUALLY SIMULTANEOUSLY DECISIONS ON: (A) A TARIFF FORMULA, (B) RULES FOR LIMITED OFFICIAL USE

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EXCEPTIONS, AND (C) THE ELEMENTS OF SPECIAL AND DIFFERENTIAL TREATMENT FOR DEVELOPING COUNTRIES. I STATED THAT THOUGH WE MIGHT TRY TO SEPARATE THESE ITEMS, THEY ARE AT THIS POINT LINKED TO SUCH AN EXTENT AS TO BECOME VIRTUALLY INSEPARABLE. FURTHER, I POINTED OUT THAT OUR INTEREST - AND I PRESUMED THE COMMUNITY'S AS WELL - WAS TO GET BEYOND THIS MULTILATERAL PHASE TO THE BILATERAL BARGAINING WHERE NATIONS COULD GET DOWN TO

SERIOUS BUSINESS,HLUYTEN IMMEDIATELY AGREED THAT THE EC WOULD LIKE TO REACH THE BILATERAL PHASE AS PROMPTLY AS POSSIBLE. HE NOTED, ALSO, THAT THE ECONOMIC CLIMATE WOULD BE BETTER NEXT YEAR FOR SERIOUS BILATERAL BARGAINING. THE DG INTERJECTED AT THIS POINT AND THIS SCENARIO WAS WHAT HE HAD IN MIND IN HIS EARLIER INTERVENTION.

5. LUYTEN MADE THE FOLLOWING OBSERVATIONS DURING THE COURSE OF A RAMBLING CONVERSATION ON THE TARIFF NEGOTIATIONS: (A) HISTORICALLY THE EC HAS TAKEN SUBSTANTIAL TIME TO PUT TOGETHER AN EXCEPTIONS LIST. HE EXPECTS THE PROCESS TO BE NO LESS DIFFICULT THIS TIME. WHILE THEY HAVE BEGUN THINKING PRIMARILY ABOUT THIS PROCESS, THEY STILL HAVE A LONG WAY TO GO, (B) IT WOULD BE A "CATASTROPHE" TO EXCLUDE TEXTILE TARIFFS FROM THE NEGOTIATIONS BOTH IN TERMS OF EFFORTS TO EXTEND THE MFA AND FOR PURPOSES OF THE TARIFF NEGOTIATIONS THEMSELVES, AND (C) THAT HE UNDERSTOOD THE SWISS WERE UNDECIDED ON WHETHER OR NOT TO INTRODUCE A TARIFF-CUTTING FORMULA (THE DG CONFIRMED THIS).

6. THE DG THEN LAUNCHED INTO A DISCUSSION OF THE MFA NEGOTIATIONS, STRESSING THE LIKELIHOOD OF EFFORTS BY DEVELOPING NATIONS TO HOLD EXTENDING THE MFA HOSTAGE TO TARIFF CUTS ON TEXTILES AND HOPING THAT THE OUTCOME OF NEGOTIATIONS ON EXTENDING THE MFA WOULD BE CONCLUDED IN APRIL 1977 AT THE EARLIEST.

7. AT THE CLOSE OF THIS RATHER RAMBLING CONVERSATION ON THE SUBJECT, LUYTEN PROPOSED THAT WE GET TOGETHER AGAIN TO COVER THE SAME GROUND FOLLOWING TABLING OF THE JAPANESE FORMULA IN MID-OCTOBER AND, PRESUMABLY, LIMITED OFFICIAL USE

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WE WILL DO SO.

8. I THEN ACQUAINTED LONG, PATTERSON AND LUYTEN WITH OUR POSITION ON THE BRAZILIAN PROPOSAL FOR THE FRAMEWORK IMPROVEMENT GROUP AND SHOWED THEM COPIES OF LANGUAGE WHICH WE WERE GOING TO BE DISCUSSING WITH VARIOUS DELEGATIONS. LUYTEN SURPRISED ME BY SAYING THAT THE EC HAD CHANGED POSITIONS ON TOPICS TO BE TAKEN UP BY THE GROUP. WHEREAS AT THE LAST SEVEN PLUS SEVEN MEETING HE HAD ADVOCATED A BALANCED AGENDA COMPRISING ELEMENTS OF INTEREST TO DC'S AS WELL AS LDC'S AND, IN THAT CONNECTION, HAD SPECIFICALLY IDENTIFIED SUPPLY ACCESS AS A SUBJECT TO BE TAKEN UP, HE SAID HIS INSTRUCTIONS NOW WERE TO WORK FOR A GROUP WHICH, AT LEAST INITIALLY, WOULD TAKE UP ONLY ITEMS OF INTEREST ONLY TO DEVELOPING

COUNTRIES AND THAT HE WOULD NO LONGER SUPPORT (ALTHOUGH HE WAS PROBABLY PRECLUDED FROM OPPOSING) ACCESS TO SUPPLY AS AN AGENDA ITEM. HE SAID THAT THE COMMUNITY WAS STRONGLY IN FAVOR OF ADDRESSING THE ISSUE OF GRADUATION, THOUGH HE DID NOT KNOW IF THE FRAMEWORK IMPROVEMENT GROUP WAS THE RIGHT PLACE TO DO IT. IN ANY EVENT, HE GAVE US TO UNDERSTAND THAT HE WAS WORKING TO CHANGE HIS INSTRUCTIONS IN THE HOPE THAT THE COMMUNITY WOULD LINE UP ON SUBSTANTIALLY THE SAME POSITION AS IT HAD ADVANCED AT THE LAST MEETING AND WHICH WAS CLOSER TO OUR OWN.

9. LONG SAID THAT ASSUMING THE DISCUSSIONS ON THE FRAMEWORK IMPROVEMENT GROUP DID NOT GET BOGGED DOWN, HE WAS PROPOSING ANOTHER SEVEN PLUS SEVEN TO DEAL WITH THE SUBJECT ON OCTOBER 12 AT 4:00 P.M. AND A GENEVA-LEVEL TNC MEETING ON THE AFTERNOON OF FRIDAY, OCTOBER 22.  
WALKER

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